

Message Text

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ACTION EA-09

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 3867

C O N F I D E N T I A L JAKARTA 4987

STADIS////////////////////////////////

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: GOI-CALTEX REACH AGREEMENT

REF: STATE 090921

1. SUMMARY: CALTEX HAS SUBMITTED LETTER TO GOI APRIL 15 WHICH ACCEDES TO GOVERNMENT'S REQUEST FOR ADDITIONAL DOLLAR A BARREL. CALTEX CHAIRMAN TAHIJA CONVEYED NEWS TO PRESIDENT SUHARTO APRIL 15. EFFECTIVE TODAY, CALTEX WILL PAY ADDITIONAL AMOUNT OF \$77 MILLION IN ITS QUARTERLY PAYMENT TO GOI. FORMAL AGREEMENT WILL BE DRAFTED AND SIGNED IN NEAR FUTURE FOLLOWING ADDITIONAL DISCUSSIONS ON ADJUSTMENTS FOR DELIVERIES TO DISTANT MARKETS. CALTEX SHAREHOLDERS' REP MARTIN, WHO DELIVERED LETTER THIS MORNING TO DEPARTMENT OF MINES, SAID MINES MINISTER SADLI EXPRESSED GRATEFUL APPRECIATION TO COMPANY FOR THEIR COOPERATION. SADLI ALSO WAS VISIBLY RELIEVED THAT CALTEX'S ACCEPTANCE HAD REMOVED ANY NECESSITY OF UNILATERAL DECREE. END OF SUMMARY

2. CALTEX SHAREHOLDERS' REP MARTIN PROVIDED EMBOFF WITH COPY OF LETTER COMPANY GAVE SADLI MORNING OF APRIL 15.

3. TEXT OF LETTER IS AS FOLLOWS:

"DEAR PROFESSOR SADLI:

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"PLEASE REFER TO YOUR LETTERS NO. 799/M/145/1976, DATED 1 APRIL 1976, AND NO. 843B/M.155/1976, DATED 12 APRIL 1976, AND TO OUR DISCUSSION OF 14 APRIL 1976. IT IS OUR UNDERSTANDING THAT THE GOVERNMENT OF INDONESIA HAS DIRECTED THAT P.T. CALTEX PACIFIC INDONESIA RENDER ITS PAYMENTS FOR THE FIRST QUARTER 1976 ON THE BASIS OF ONE ADDITIONAL DOLLAR ON ALL BARRELS PRODUCED, EXCLUSIVE OF CRUDE LOST OR USED IN OPERATIONS AND INVENTORY CRUDE. THIS DIRECTIVE COMES AFTER CONSIDERATION AND REJECTION OF THE SEVERAL PROPOSALS WHICH HAVE BEEN SUBMITTED BY THE COMPANY FOR SUPPLEMENTING THE PAYMENTS UNDER THE CONTRACT OF WORK AND RELATED AGREEMENTS.

"YOU HAVE DESCRIBED ORALLY THE POSITION SET FORTH IN YOUR LETTERS OUTLINING THE PROSPECT FOR ADJUSTMENT TO THE GOVERNMENT'S INSTRUCTIONS UPON SUBMISSION OF ADDITIONAL INFORMATION FROM THE COMPANY, INDICATING THAT SUCH ADJUSTMENT WILL ALSO APPLY FROM 1 JANUARY 1976.

"THE COMPANY AND ITS SHAREHOLDERS HAVE SOUGHT TO LAY BEFORE THE GOVERNMENT INFORMATION WHICH WOULD DOCUMENT THE COMPANY'S CONCERNS ABOUT OPERATIONS AND EXPORTS IF THESE ADDITIONAL PAYMENTS WERE REQUIRED. WE REGRET THAT THE GOVERNMENT'S REVIEW OF THIS INFORMATION HAS NOT RESULTED IN A MUTUAL UNDERSTANDING.

"AS DIRECTED, THE COMPANY WILL PAY THE ADDITIONAL AMOUNTS WHICH WE CALCULATE TO BE \$77,206,048 OVER AND ABOVE THOSE AMOUNTS NOW CALLED FOR IN AGREEMENTS EXISTING BETWEEN US. THE COMPANY INTENDS TO GATHER ADDITIONAL INFORMATION AND WILL COMMUNICATE ITS REQUEST FOR AN EARLY MEETING AT WHICH IT WILL SUBMIT THE INFORMATION IN THE HOPES THAT AN AGREEMENT ON THESE MATTERS CAN BE REACHED.

"THE PAYMENTS WHICH WILL BE MADE BY THE COMPANY AND WHICH GO BEYOND THE TERMS OF ANY AGREEMENTS NOW EXISTING BETWEEN US DO NOT, AS YOU WILL RECOGNIZE, CONSTITUTE A WAIVER OF ANY OF THE COMPANY'S RIGHTS OR OBLIGATIONS UNDER PRESENT ARRANGEMENTS. THE COMPANY AND ITS SHAREHOLDERS WILL, OF COURSE, CONTINUE TO MAKE EVERY EFFORT TO PRODUCE AND MARKET CRUDE OIL TO THE FULLEST EXTENT COMPETITIVE

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CONDITIONS PERMIT.

"WE HAVE THIS DATE MADE ARRANGEMENTS TO TRANSFER THE ADDITIONAL FUNDS AS DIRECTED.

"VERY TRULY YOURS,
"P.T. CALTEX PACIFIC INDONESIA
J. TAHIJA

"CHAIRMAN MANAGING BOARD"

4. MARTIN SAID CALTEX'S AGREEMENT TO MEET GOI'S BASIC REQUEST FOR \$1.00/PER BARREL WILL BE FOLLOWED BY DISCUSSIONS EARLY NEXT MONTH, OR PERHAPS AFTER OPEC MEETING, ON SUBJECT FAVORABLE ADJUSTMENTS FOR CRUDE DELIVERIES TO "FAR AWAR" MARKETS. MARTIN SAID THESE SUBJECTS WOULD PROBABLY COME UP INFORMALLY DURING NEXT REGULAR MEETING OF GOI-CALTEX CRUDE EVALUATION SESSION WITH WIJARSO ON MAY 15. CALTEX ALSO INTENDS TO ASK FOR SPECIAL, "TERMINAL DISCOUNT" WHICH GOI HAS PROVIDED OTHER PRODUCTION-SHARING COMPANIES. (THESE DISCOUNTS, WHICH ARE NORMALLY \$.10/BARREL BUT SOMETIMES AS MUCH AS \$.40/BARREL IN FEW CASES, ARE GIVEN TO COMPENSATE FOR SMALL SIZE OF LOADING FACILITIES WHICH RESTRICT LARGER TANKERS AND THUS REQUIRE LESS ECONOMICAL, SMALLER VESSELS). FORMAL AGREEMENT WILL BE DRAFTED AND SIGNED FOLLOWING COMPLETION OF DISCUSSIONS ON THESE ABOVE POINTS AT FUTURE, UNSPECIFIED, DATE SOCOAL-TEXACO REPS ARE LEAVING JAKARTA THIS AFTERNOON.

5. MARTIN REPORTED THAT SADLI EXPRESSED SINCERE APPRECIATION FOR CALTEX'S WILLINGNESS TO RESPOND TO GOI'S REQUEST. SADLI, ACCORDING TO MARTIN, WAS VISIBLY RELIEVED THAT COMPANY HAD AGREED TO MAKE PAYMENT BASED ON ADDITIONAL ONE DOLLAR/BARREL, THUS ENDING POSSIBILITY OF UNILATERAL DECREE. CALTEX BOARD CHAIRMAN TAHIJA GAVE NEWS TO PRESIDENT SUHARTO AT SAME TIME MARTIN MET WITH SADLI.

6. TEXT OF DEPARTMENT OF MINES PRESS RELEASE JUST RECEIVED AND FOLLOWS VIA SEPTTEL.
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